

## **Attachment M**

### **Invoicing Instructions for Cost Reimbursement Agreements**

#### **PURPOSE**

For cost reimbursement Agreements, the Energy Commission reimburses Contractors for actual allowable expenditures incurred, not to exceed the rate caps specified in the Agreement budget. Since organizations typically calculate actual costs for fringe benefits and indirect cost categories on a yearly or quarterly basis, costs invoiced the Commission may be based on estimated costs until the actual yearly (or quarterly) costs are calculated. These instructions are to clarify procedures for invoicing for labor and indirect costs and reconciling estimated with actual costs, if necessary.

#### **TERMS**

“Agreement” refers to contracts, interagency agreements, grants, and contingent awards.

“Annual” calculations of rates represent the most common methodology. However, if your organization calculates actual rates on a quarterly basis or other time period, substitute that period for “annual” in these instructions.

“Base” is the direct costs to which the rate is applied. The base for fringe benefits is direct labor. The most common bases for indirect costs are direct labor (and may include fringe benefits) or modified total direct costs (excluding capital costs, pass-through funding, and unallowable costs.) Other bases are acceptable as long as the Contractor applies rates consistently and adheres to generally accepted accounting principles and the applicable OMB circulars or federal acquisition regulations.

“Contractor” refers to contractors, grant recipients, and contingent award recipients.

“Indirect overhead” and “general and administrative” are the most common categories of indirect costs included as budget categories. However, if your organization utilizes different categories, which are included in your Agreement budget, please substitute those categories for the indirect categories listed below. The procedures should remain the same.

#### **NOTE REGARDING AGREEMENT RATES**

If your Agreement budget includes direct labor, fringe, indirect overhead, and/or general and administrative (G&A) costs but does not specify rates, AND you submitted a proposal in response to a solicitation, use the rates in your proposal. Proposal rates are incorporated by reference into your Agreement. If (1) the Agreement does not specify rates AND (2) the proposal does not specify rates or the Agreement was not

competitively bid, calculate the rates as a percentage of the base by using the totals in your Agreement budget.

**Example:**

**(In the example below, the fringe benefit Agreement rate is calculated as a percentage of the direct labor costs, i.e., the base, using the Agreement direct labor and fringe benefit budgets.)**

<b>Agreement Direct Labor Budget</b>	<b>Agreement Fringe Budget</b>	<b>Rate</b>
\$120,000	\$30,000	25%

**DIRECT LABOR**

Labor shall be billed at the Agreement rate or actual rate, whichever is lower. The Agreement rate is a cap, or maximum amount allowed to be billed. The Contractor can only bill for actual expenses incurred for hours worked on the Agreement at the actual labor rates of the Contractor or Contractor's employees, not to exceed the Agreement rate cap. If the Agreement shows a salary range for an employee classification (i.e., Energy Analyst \$30.00 - \$35.00 per hour), the Contractor shall bill only for the actual salary of the specific Energy Analyst who worked on the project (even if the actual salary is less than the range), up to the maximum of the range in the budget (i.e., \$35.00).

**Example:**

<b>Agreement Hourly Rate</b>	<b>Actual Hourly Rate</b>	<b>Billable Hourly Rate</b>
\$32.00	\$35.00	\$32.00
\$32.00	\$30.50	\$30.50
\$30.00 - \$35.00	\$34.25	\$34.25

**FRINGE BENEFITS**

Fringe benefits shall be billed at the Agreement rate or actual rate, whichever is lower. The Agreement rate is a cap, or maximum amount allowed to be billed. The Contractor shall only bill for actual allowable fringe benefit expenses incurred for the Contractor's employees working on the Agreement, calculated as a percentage of labor rates, up to the Agreement fringe benefit rate cap.

**Example:**

<b>Agreement Fringe Rate</b>	<b>Actual Fringe Rate</b>	<b>Billable Fringe Rate</b>
30%	35%	30%
30%	25%	25%

## Annual Adjustments to Fringe Benefits:

Actual fringe benefit rates shall be calculated annually. Each year the Contractor shall adjust billed rates to reflect the actual annual calculations, not to exceed the Agreement fringe benefit rate cap. If necessary, an adjustment shall be made to the next invoice after the annual rates have been calculated for the difference between the billed and actual amount of fringe benefit costs, not to exceed the Agreement fringe benefit rate cap. The Contractor shall attach an Energy Commission Invoice Rate Adjustment form (attached) to the adjustment invoice.

At the end of the Agreement, actual rates shall be calculated for the period from the last adjustment through the final invoice. If the final adjustment period is a partial year, the Contractor shall use the prior year actual rates. An adjustment shall be made to the final invoice for any difference between the billed and actual amount of fringe benefit costs, not to exceed the Agreement fringe benefit rate cap. The Contractor shall attach an Energy Commission Invoice Rate Adjustment form to the final invoice. No adjustment for underbillings can be made after the final invoice is paid or if there are no funds remaining in the Agreement. If the Contractor has overbilled the Energy Commission, the Commission may reduce payment of the final invoice by the amount overbilled or bill the Contractor, at the Commission's sole discretion.

Contractor shall maintain documentation of rate calculations in accordance with the recordkeeping, cost accounting, and auditing provisions of the Agreement terms.

### Example:

(In the example below, the Contractor calculates the fringe benefit costs as a percentage of the direct labor costs.)

	Direct Labor	Agreement Rate	Actual Rate	Billable Rate	Rate Billed	Adjustment
Year 1	\$10,000	30% (\$3,000)	35% (\$3,500)	30% (\$3,000)	28% (\$2,800)	2% (+ \$200)
Year 2	\$12,000	30% (\$3,600)	25% (\$3,000)	25% (\$3,000)	30% (\$3,600)	-5% (- \$600)
Year 3	\$15,000	30% (\$4,500)	40% (\$6,000)	30% (\$4,500)	30% (\$4,500)	0% (\$0)

## INDIRECT OVERHEAD

Indirect overhead shall be billed at the Agreement rate or actual rate, whichever is lower. The rate in the Agreement is a cap, or maximum amount allowed to be billed. The Contractor shall only bill for actual allowable indirect expenses, calculated as a percentage of the base specified in the Agreement, up to the Agreement indirect rate cap.

**Example:**

<b>Agreement Indirect Rate</b>	<b>Actual Indirect Rate</b>	<b>Billable Rate</b>
40%	45%	40%
40%	35%	35%

**Annual Adjustments to Indirect Rates:**

Actual indirect rates shall be calculated annually. Each year the Contractor shall adjust billed rates to reflect the actual annual calculations, not to exceed the Agreement indirect rate cap. If necessary, an adjustment shall be made to the next invoice after the annual rates have been calculated for the difference between the billed and actual amount of indirect costs, not to exceed the Agreement indirect rate cap. The Contractor shall attach an Energy Commission Invoice Rate Adjustment form to the adjustment invoice.

At the end of the Agreement, actual rates shall be calculated for the period from the last adjustment through the final invoice. If the final adjustment period is a partial year, the Contractor shall use the prior year actual rates. An adjustment shall be made to the final invoice for any difference between the billed and actual amount of indirect costs, not to exceed the Agreement indirect rate cap. The Contractor shall attach an Energy Commission Invoice Rate Adjustment form to the final invoice. No adjustment for underbillings can be made after the final invoice is paid or if there are no funds remaining in the Agreement. If the Contractor has overbilled the Energy Commission, the Commission may reduce payment of the final invoice by the amount overbilled or bill the Contractor, at the Commission's sole discretion.

Contractor shall maintain documentation of rate calculations in accordance with the recordkeeping, cost accounting, and auditing provisions of the Agreement terms.

**Example:**

**(In the example below, the Contractor calculates indirect on a modified direct cost base.)**

	<b>Modified Direct Costs</b>	<b>Agreement Rate</b>	<b>Actual Rate</b>	<b>Billable Rate</b>	<b>Rate Billed</b>	<b>Adjustment</b>
<b>Year 1</b>	\$100,000	40% (\$40,000)	35% (\$35,000)	35% (\$35,000)	40% (\$40,000)	-5% (-\$5,000)
<b>Year 2</b>	\$125,000	40% (\$50,000)	42% (\$52,500)	40% (\$50,000)	35% (\$43,750)	5% (+\$6,250)
<b>Year 3</b>	\$130,000	40% (\$52,000)	32% (\$41,600)	32% (\$41,600)	35% (\$45,500)	-3% (-\$3,900)

## GENERAL AND ADMINISTRATIVE (G&A)

If the Agreement budget separates G&A costs from indirect overhead, the Contractor shall bill G&A at the Agreement or actual rate for G&A, whichever is lower. The rules for billing are the same as those for indirect overhead described in the previous section.

## LOADED RATES

Loaded rates are rates that include direct labor plus one or more of the following rate components in one hourly rate: fringe benefits, indirect overhead, G&A, and profit.

Contractors can bill at loaded rates **only if the contract terms specifically allow for loaded rates** and if they meet the following conditions:

1. In order for fringe benefits, indirect overhead, G&A, or profit to be included in the loaded rate, the base for calculating that rate must include direct labor as one of the cost components.
2. The rates for the individual components of the billed loaded rate cannot exceed the Agreement caps or actual rates for direct labor, fringe benefits, indirect overhead, and G&A, whichever is lower.
3. The rates for the individual components of the billed loaded rate should be adjusted annually. See instructions above for each component of the loaded rate.

### Example:

Direct Labor Hourly Rate	Agreement Fringe Rate 25%	Actual Fringe Rate 30%	Billable Fringe Rate 25%	Agreement Indirect Rate 45%	Actual Indirect Rate 40%	Billable Indirect Rate 40%	Billable Loaded Rate
\$25.00	\$6.25	\$7.50	\$6.25	\$11.25	\$10.00	\$10.00	\$41.25
\$32.00	\$8.00	\$9.60	\$8.00	\$14.40	\$12.80	\$12.80	\$52.80
\$35.45	\$8.86	\$10.64	\$8.86	\$15.95	\$14.18	\$14.18	\$58.49